

Practical Money Skills for Life™

Student Workbook COLLEGE STUDENTS



MAKING DECISIONS



BUDGETING



BANKING



ON YOUR OWN



UNDERSTANDING CREDIT



SAVING



From the office of
**Indiana Secretary of State
Todd Rokita**

INDIANA
INVESTMENT WATCH

VISA

A NOTE TO STUDENTS

For many students, the freedom of college also means managing a budget for the first time and living on your own. This world of financial responsibility may be new to you—and even if it's not, chances are you could still use a few pointers. The purpose of this workbook is to give you something to work with and refer to—if you don't use this information today, you will likely have a need to refer to it in the next few years.

So hold on to this workbook—it could be valuable in helping you navigate financial matters—especially when it comes to buying a car or getting an apartment or saving for that dream trip to Europe. Some of the worksheets here have answers that only come from your personal experience. Other worksheets require you to come up with the right answer (yes, the answers are given, but you'll be that much more savvy if you first try to figure them out yourself).

It's a case of “your money and your life.” Make the most of both. You can always refer to www.practicalmoneyskills.com for additional help.

Why money?

Unless you end up living in a society where barter rules—and no currency is exchanged—money is going to play an even bigger role in your life than it has so far. If you've gotten used to living off your parents, that will soon come to an end. Haven't been that lucky? You may actually be a step ahead of others who have had it easier.

Mastering money management is perhaps one of the most important tasks of young adulthood. Yet, you may have noticed, the subject of money usually isn't discussed until it's too late. That's why Visa has put together this program. We wanted to bring money matters out in the open and into the classroom, so you could nail down the basics of managing money wisely, get help with the ins and outs of how to be in charge of your credit card, and learn how to start saving now for your future.

Why me?

As a college student, probably almost nothing is the same for you—there are new friends, new academic challenges, a new environment...and new responsibilities. Smart money management is one of those. This is your chance to demonstrate to your parents—and yourself—that your finances are under control from day one.

Why now?

Many of you are now making the break from your family and moving towards living on your own. Although this is a process that often takes years, you're already on that road. Now's the time to gain the financial know-how to get off to a great start. Think of it as a passport to your future. It's going to be a worthwhile ride. Ready to go? Your presenter covered one or more of the following topics today:

WORKBOOK TOPICS



MAKING DECISIONS: Decision-making can be broken down into steps such as identifying the problem or goal, considering the alternatives, selecting the best course of action, and evaluating the results. Often, various factors affect decision making such as time, money and opinions of friends and family. Other issues such as procrastination can affect decision-making. Even the economy influences our decisions.



BUDGETING: Budgeting is a must if you're going to stay out of financial trouble and live within your means. What this means is setting aside funds for saving, spending and future goals. It involves tracking money coming in and out, so you don't fall into the "red."



BANKING: Financial institutions (banks, credit unions, etc.) offer a lot more services than you may think. There are numerous kinds of checking accounts and several ways to make deposits and endorse checks. And there are lots of electronic banking options as well. However, the most important thing to remember is to save your receipts and deposit slips, and balance your checkbook every month.



ON YOUR OWN: You may be ready to "fly the coop," but will your finances take you where you want to go? Look at your fixed and flexible monthly expenses and factor in your financial goals. Add in moving costs and the cost of setting up house. Then decide if this is a workable idea. You'll want to understand the basics of leasing, as well.



UNDERSTANDING CREDIT: Did you know you should shop for a credit card? There are that many different kinds, each with their own terms and conditions. It's important to understand how interest is calculated and how much you actually pay for things you buy on credit, especially if you only cover the minimum balance each month. Plus, there are fees, credit limits and grace periods to be aware of...and a whole lot more.



SAVING: The best way to reach your financial goals is through saving. Remember, small amounts add up. The amount saved is less important than getting in the saving habit. There are lots of saving methods, so find the best one for you and put away at least 5% of your income. It's your future. Saving is the way to make it happen.

This workbook contains six worksheets as a follow-up to the presentation, so you can practice the concepts presented—or find out about topics that may not have been covered today. These are "keepers" that you may not think you will use. But as time goes on, you'll be surprised how handy they will be.

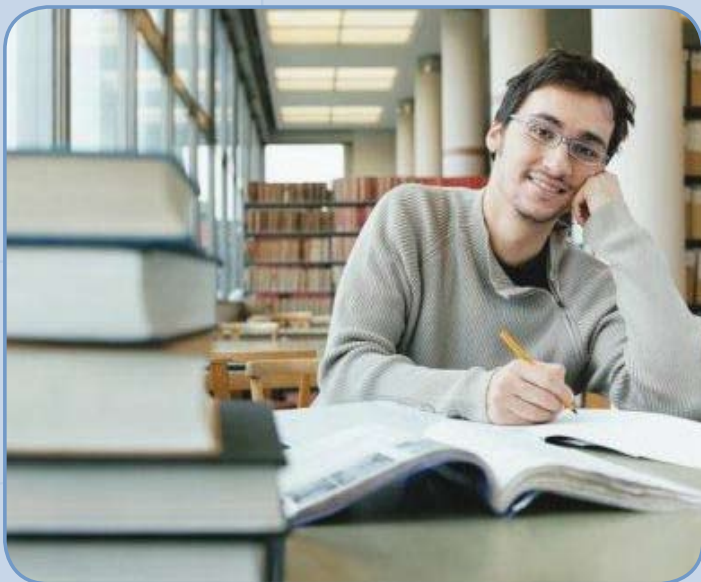


MAKING DECISIONS

Making big decisions is not easy. Sometimes the thought of opting for the wrong choice can make you want to close your eyes and just throw a dart at a board. Here's the good news: Decision-making skills improve as you use them!

There is a logical way to tackle decision-making. In many cases, in order to make a good decision, all you need is more information. This exercise will walk you through the decision-making process and help you look at an upcoming decision from several vantage points.

Thinking through some potential consequences of your decision can bring out important information that wasn't obvious before—information that will clarify which choice is best for you. Once you get the knack of it, decisions won't seem as overwhelming.



WORKSHEET

Identify the problem:

Gather information and list possible alternatives:

Consider the consequences of each alternative:

Select the best course of action:

Evaluate the results:

Was it a good decision or bad? Why or why not?:



BUDGETING

Get a handle on the art of budgeting and you'll be in the money. Why? A budget helps you spend only the money you have. It's a chance to divide your money among the things you need (and want) and at the same time save for future goals, needs and wants. If you track money coming in and going out, and then make a budget and stick to it, you can keep your financial house in order. Think of it as a blueprint to finance your dreams.

This budget calculation worksheet will help you set up a personal budget. Enter your income and expenses in the first column. Try to stick to it for one month. After the month is up, record your actual income and expenses. How far off were you? Make adjustments and try it again next month. Keep reworking your budget until you can live within the reality of your money situation.

Income	Budget	Actual	Difference
Job #1	\$ _____	\$ _____	\$ _____
Job #2	\$ _____	\$ _____	\$ _____
Other	\$ _____	\$ _____	\$ _____
Total Monthly Income	\$ _____	\$ _____	\$ _____



Expenses	Budget	Actual	Difference
Fixed Expenses			
Rent	\$ _____	\$ _____	\$ _____
Car insurance	\$ _____	\$ _____	\$ _____
Car payment	\$ _____	\$ _____	\$ _____
Credit card	\$ _____	\$ _____	\$ _____
Flexible Expenses			
Savings	\$ _____	\$ _____	\$ _____
Food	\$ _____	\$ _____	\$ _____
Utilities	\$ _____	\$ _____	\$ _____
Transportation			
Bus fare	\$ _____	\$ _____	\$ _____
Gas and oil	\$ _____	\$ _____	\$ _____
Parking and tolls	\$ _____	\$ _____	\$ _____
Repairs	\$ _____	\$ _____	\$ _____
Other			
Medical expenses	\$ _____	\$ _____	\$ _____
Clothing	\$ _____	\$ _____	\$ _____
Entertainment	\$ _____	\$ _____	\$ _____
Household items	\$ _____	\$ _____	\$ _____
Personal items	\$ _____	\$ _____	\$ _____
Tuition	\$ _____	\$ _____	\$ _____
School expenses	\$ _____	\$ _____	\$ _____
Total Monthly Expenses	\$ _____	\$ _____	\$ _____



BANKING

Reconciling your checkbook needn't be a nightmare. In fact, if you've made it to college, it should be a cake walk! Just two must-dos:

1. Always record your deposits, transfers, ATM withdrawals and debit card transactions as soon as you make them.
2. Always fill out the register BEFORE you write a check. That way, you won't be caught short with the wrong balance, trying to remember what check #127 went for. Just do these, and the rest is simple math. You can handle that, right?

Many new online, Web-based services by financial institutions can help you manage your money. Some allow you to view your accounts online and even pay bills electronically.

THIS STATEMENT COVERS: 6/20/01 through 7/19/01

CHECKING ACCOUNT 0471-678

Previous Statement Balance On 6/19/06	366.97
Total of 1 Deposits For	1,200.00 +
Total of 4 Withdrawals For	1,306.30 -
Total Service Charges	0.00 -
New Balance	260.67 +

CHECKS & OTHER DEBITS

CHECK	DATE PAID	AMOUNT
161	6/21	216.30
162	6/29	1,000.00

ATM Withdrawal #00281 at ATM #423A

6/18 35.00

Check Card #00586 Foodland EFT

6/18 55.00

DATE POSTED	AMOUNT
6/23	1,200.00

DEPOSITS & OTHER CREDITS

Transfer from
4039-557 at
ATM #423C

CHECK #	DATE	TRANSACTION AMOUNT	DEPOSIT AMOUNT	BALANCE 336.97
161	6/4	Sound Out (new tape deck)		150.67
ATM	6/18	withdrawal (spending money)		115.67
ChkCrd	6/18	Check Card (Foodland Groceries)		60.67
ATM	6/23	deposit (transfer from savings)	1200.00	1260.67
162	6/26	Woodlands Apt's. (rent for everyone)	1000.00	260.67
163	7/5	CD Place (acct. #7M3406)	26.31	234.36
164	7/14	Lucas Film, Ltd. ("Monkey Island" T-shirt)	10.00	224.36
ATM	7/20	deposit (pay check)	253.17	477.53

WORKSHEET

Use the bank statement and the check register at left, and the reconciliation worksheet below to balance this checkbook.

ITEMS OUTSTANDING		
Number	Amount	
163	26	31
164	10	00
Total	36	31

Enter

The new balance shown on your statement

\$(A) _____

Add

Any deposits or transfers listed in your register that are not shown on your statement

\$ _____

\$ _____

\$ _____

Total

+ \$(B) _____

Calculate the subtotal

\$(C) _____

Subtract

Your total outstanding checks and withdrawals

- \$(D) _____

Calculate the ending balance

This amount should be the same as the current balance in your check register

\$(E) _____

Use the reconciliation worksheet above to answer the following questions:

1. What is the new balance shown on the statement? (A) _____
2. What is the total amount of deposits listed in the check register but not shown on the statement? (B) _____
3. What is the sum of the new balance and the deposits not shown on the statement? (C) _____
4. What is the total amount of outstanding checks and withdrawals? (D) _____
5. What is the ending balance? (E) _____

(A) \$260.67, (B) \$253.17, (C) \$513.84, (D) \$36.31, (E) \$477.53

Answers to banking worksheet:



ON YOUR OWN

You can't wait to have your own place—even if you do have to share it with a roommate. But how do you know how much rent you can afford, and have money left over to eat...get to work or school...and still join your friends for concerts or trips to the mall?

Ever hear the expression “house poor”? The tabs for moving, rent (or mortgage) and all the stuff you need to outfit your own place (it can be a shock to find out that ketchup and mustard don't come with a fridge) can set you back farther than you may have imagined. You don't want to stretch your money so thin that there's little left over for fun...or other necessities. This worksheet will give you a much clearer idea of how much money you'll need to live on your own.



WORKSHEET

Use this form to set up a budget that would allow you and your roommates to rent and furnish an apartment. You also can use the interactive budget calculator found in www.practicalmoneyskills.com.

Income

Job #1	_____	\$	_____
Job #2	_____	\$	_____
Other	_____	\$	_____
Total Income	_____	\$	_____

Fixed Expenses

Rent/mortgage	_____	\$	_____
Car insurance	_____	\$	_____
Car payment	_____	\$	_____

Flexible Expenses

Savings	_____	\$	_____
Food	_____	\$	_____
Utilities (gas, electricity, water)	_____	\$	_____

Transportation

Bus fare	\$
Gas and oil	\$
Parking and tolls	\$
Repairs	\$
Clothing	\$
Entertainment	\$
Household items	\$
Personal items	\$
Tuition	\$
School expenses	\$
Total Monthly Expenses 1	\$

Moving-in Costs

Rent for first month	\$
Rent for last month	\$
Cleaning deposit	\$
Security deposit	\$
Utilities deposit	\$
Telephone deposit	\$
Moving costs	\$
Other	\$
Total Cost to Move In 2	\$

Cost of Furnishing and Equipping an Apartment

Bedroom #1	\$
Bedroom #2	\$
Living room	\$
Dining room	\$
Kitchen	\$
Bathroom	\$
Other	\$
Total Cost 3	\$

Summary

Total Cost for First Month (1 + 2 + 3)	\$
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UNDERSTANDING CREDIT

Sometimes, people fool themselves into thinking that owning a credit card is like having free money. Nothing could be further from the truth! Unless you pay your credit card bill in full every month, you will pay interest and sometimes transaction fees for the privilege of using credit. That's because buying on credit is a form of borrowing money. Only your closest friends and relatives are likely to lend you money for free. In all other instances, there are charges involved. When it comes to credit cards, it's important to be aware of what those charges are—and how they can add up.

WORKSHEET

Fernando wants to buy a stereo for \$650 and pay for it using a credit card that has an Annual Percentage Rate of 19.85% and a periodic interest rate of 1.65%.

If Fernando pays the minimum monthly payment of \$21.45:

1. How long will it take him to pay for the stereo? _____
2. What is the total amount Fernando will pay for the stereo? _____
3. What is Fernando's total cost of using credit? _____

If Fernando makes monthly payments of \$60:

4. How many months will it take for Fernando to pay off the stereo? _____
5. What is the total amount Fernando will pay for the stereo? _____
6. What is Fernando's total cost of using credit? _____

Jennifer took a cash advance of \$1,500. Her new credit card, as a special promotion, charges an Annual Percentage Rate of 5.9% and a periodic interest rate of .4917% for the first six months. After the first six months, an Annual Percentage Rate of 21% and a periodic interest rate of 1.75% apply. The transaction fee for cash advances is 3% of the cash advance with a minimum fee of \$5.00 and a maximum fee of \$35.00.

If Jennifer makes monthly payments of \$60.50:

7. How long will it take Jennifer to pay for the cash advance? _____
8. What is the total amount Jennifer will end up paying for the cash advance?

9. How much in interest and fees will Jennifer pay? _____

If Jennifer pays the cash advance back at a rate of \$120 per month:

10. How long will it take Jennifer to pay for the cash advance? _____
11. What is the total amount Jennifer will end up paying for the cash advance?

12. How much interest and fees will Jennifer pay? _____

Stephanie just used her new credit card to buy a bike for \$400. Her budget allows her to pay no more than \$25 each month on her credit card. Stephanie has decided not to use the credit card again until the bike is paid off. The credit card she used has an Annual Percentage Rate of 21% and a periodic interest rate of 1.75%.

If Stephanie pays \$25 each month on her credit card:

13. How long will it take Stephanie to pay for the bike? _____
14. What is the total amount Stephanie will end up paying for the bike? _____
15. How much interest will Stephanie pay for using her credit card to buy the bike? _____

If Stephanie pays the minimum payment of \$14 each month:

16. How long will it take Stephanie to pay for the bike? _____
17. What is the total amount Stephanie will end up paying for the bike? _____
18. How much interest will Stephanie pay for using her credit card to buy the bike? _____

Justin has just used his credit card to buy a new watch. He got the watch on sale for \$235. The regular price was \$290. He used a credit card that has an Annual Percentage Rate of 20% and a periodic interest rate of 1.67%.

If Justin makes the minimum monthly payment each month of \$10:

19. How much will Justin end up paying for his new watch? _____
20. How long will it take Justin to pay for his watch? _____
21. What is the total amount of interest Justin will end up paying? _____

If Justin pays \$25 each month, instead of the minimum monthly payment of \$10 each month:

22. How much will Justin end up paying for his new watch? _____
23. How long will it take Justin to pay for his watch? _____
24. What is the total amount of interest Justin will end up paying? _____

Answers to understanding credit worksheet:

1. 42 months	7. 33 months	13. 19 months	19. \$294.35
2. \$887.44	8. \$1,944.06	14. \$463.83	20. 30 months
3. \$237.44	9. \$444.06	15. \$63.83	21. \$59.36
4. 12 months	10. 14 months	16. 39 months	22. \$253.14
5. \$709.14	11. \$1,674.34	17. \$545.60	23. 11 months
6. \$59.14	12. \$174.34	18. \$145.60	24. \$18.14



SAVING

You may not be in the habit of saving money now. But once you do the math, you might change your thinking, pronto! Saving is the best way to put your money to work for you. When you save, your money grows—doubling, tripling, quadrupling and so on. It's a way to earn money without lifting a finger. Now that has some appeal, right?

Whenever you get a cash infusion (paycheck, parents, etc.), make sure you save some money from it, even if it's a small amount. Save change and deposit it regularly. And if you run into an unexpected windfall, put a portion of that into savings as well. You'll quickly see how small sums can add up to big dollars. And how getting in the habit of saving will put you on the road to becoming a millionaire.



WORKSHEET

1. If you put \$200 in a savings account that paid 5.5% simple interest each year, how much interest would you earn in five years? _____
2. If you put \$150 in a savings account that paid 6% compounded yearly, how much interest would you earn in five years? _____
3. If you put \$25 each month into a savings account that paid a simple interest rate of 6.5% each year, how much would you have in your account at the end of two years? _____
4. If you put \$10 each week into a savings account that paid 6% interest compounded yearly, how much money would you have in your account after three years?
(Hint: Use Save a Million Calculator. Find it at www.practicalmoneyskills.com)

$$\begin{aligned}
 & \$11 \times 5 = \$55 \\
 & \$200 \times 0.055 = \$11 \\
 & 1. \$55 \\
 & \$150 \times 1.06 = \$159 \text{ (after 1 year)} \\
 & \$159 \times 1.06 = \$168.54 \text{ (after 2 years)} \\
 & \$168.54 \times 1.06 = \$178.65 \text{ (after 3 years)} \\
 & \$178.65 \times 1.06 = \$189.37 \text{ (after 4 years)} \\
 & \$189.37 \times 1.06 = \$200.73 \text{ (after 5 years)} \\
 & 2. \$50.73 \\
 & 4. \$1,732.33 \\
 & \$10 \times 52 = \$520 \\
 & \$520 \times 1.06 - \$551.20 \text{ (after 1 year)} \\
 & \$551.20 + \$500 = \$1,051.20 \\
 & \$1,071.20 \times 1.06 = \$1,114.25 \text{ (after 2 years)} \\
 & \$1,135.47 + \$520 = \$1,634.27 \\
 & \$1,634.27 \times 1.06 = \$1,732.33 \text{ (after 3 years)} \\
 & 3. \$39.00 \\
 & \$300.00 \times 1.065 = \$319.50 \text{ (after 1 year)} \\
 & \$300.00 \times 1.065 = \$319.50 \\
 & \$319.50 + \$319.50 = \$639.00 \text{ (after 2 years)}
 \end{aligned}$$

Answers to saving worksheet:



MAKING DECISIONS

www.lifeadvice.com
www.ncfe.org
www.kiplinger.com
www.mymoney.gov
www.nefe.org

- MetLife Online Life Advice Center
- National Center for Financial Education
- Kiplinger's Personal Finance Magazine
- Financial Literacy Education Commission
- National Endowment for Financial Education



BUDGETING

www.fool.com
www.smartmoney.com
www.nasfaa.org
www.bankrate.com
www.moneyinstructor.com

- The Motley Fool
- SmartMoney.com
- Cash for College
- Bankrate.com
- MoneyInstructor.com



BANKING

www.aba.com/default.htm
www.fdic.gov
www.moneycentral.msn.com
www.banksafeonline.org/uk
www.bankrate.com

- American Bankers Association
- Federal Deposit Insurance Corporation
- MSN Bank Services
- Bank Safe Online
- Bankrate.com



ON YOUR OWN

www.myfuture.com
www.smartmoney.com
www.persfin.co.za
www.edebt.com
www.myvesta.org

- My Future Money Matters
- SmartMoney.com
- Personal Finance
- eDebt.com
- The Myvesta Foundation



UNDERSTANDING CREDIT

www.cardtrak.com
www.bankrate.com
www.cardreport.com
www.creditdemystified.com
www.consumercredit.com

- CardWeb.com
- Bankrate.com
- Credit Tools
- Understanding Credit Cards
- American Consumer Credit Counseling



SAVING

www.bankrate.com
www.bloomberg.com
www.choosetosave.org
www.savingadvice.com
www.stretcher.com

- Bankrate.com
- Bloomberg.com
- Choose To Save
- SavingAdvice.com
- The Dollar Stretcher